

# Fiscal Note

**BILL #** HB 2454

**TITLE:** telehealth; health care providers; requirements

**SPONSOR:** Cobb

**STATUS:** As Amended by Senate FIN

**PREPARED BY:** Rebecca Perrera

## Description

The bill requires health insurers to cover telehealth services. In March 2020, Executive Order 2020-15 required all health insurance plans regulated by the Department of Insurance and Financial Institutions (DIFI) to provide coverage of telehealth services if the service was also covered through in-person visits. The bill codifies some of the Executive Order provisions by requiring payment parity for audio-only behavioral health and substance abuse services.

## Estimated Impact

There are at least 4 potential state fiscal impacts associated with the bill: 1) the cost to the Arizona Department of Administration (ADOA) State Employee Health Insurance Trust Fund (HITF), 2) the cost to the state's regulatory boards to register out-of-state practitioners and investigate complaints, 3) the costs to DIFI to enforce provisions of the bill 4) the cost to the Department of Health Services (DHS) to establish a 3-year pilot program to allow the delivery of acute care services in a patient's home.

Based on input from ADOA, we estimate that the bill would have a minimal impact to HITF relative to current practice.

We assume each Arizona regulatory board would set a fee sufficient to cover the costs associated with the registration and oversight of out-of-state providers. Some regulatory boards may require additional appropriations to utilize the fee revenue, but we cannot estimate this amount in advance.

At the time of publication, DIFI did not provide an estimate to their costs associated with the bill. DHS reported that there would be no cost to implement the pilot program under the bill.

## Analysis

### Background

The bill expands the definition of telehealth to include audio-only telephone appointments rather than just audio-visual appointments. For behavioral health and substance abuse services, the bill requires health insurers to reimburse health care providers at the same rate for equivalent services provided at an in-person setting.

The bill establishes the Telehealth Advisory Committee on Telehealth Best Practices which would be tasked with recommending other health care service that may be appropriately provided through an audio-only telehealth format. These services would be covered services starting January 1, 2022 but would not require payment parity. This provision could result in additional costs, but we cannot predict any such impact in advance.

The bill does not apply to the Arizona Health Care Cost Containment System (AHCCCS) but does require health insurers to cover audio-only health care services if those services are covered by AHCCCS or Medicare.

### State Employee Health Plan

The state employee health insurance plan is run by ADOA through HITF. The state uses a self-insured model, meaning that the state is responsible for the direct costs of health insurance claims. Therefore, any increase in health care claims will be a cost to the state. The state's health care plan currently provides payment parity for audio-visual visits in addition to payment parity for audio-only visits under Executive Order 2020-15.

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ADOA's estimates that the bill provision which requires payment parity for audio-only behavioral health services would have minimal cost to HITF because the costs would be similar to costs paid under Executive Order 2020-15.

Vendors for the state's health insurance program have estimated the cost to increase state medical costs higher than ADOA's estimates due to increased utilization.

We cannot project with certainty to extent to which telehealth utilization will remain high after the COVID-19 pandemic. We also cannot project if patients will use telehealth in addition to in-person care rather than as a substitute or if telehealth would increase utilization for people who otherwise would not have sought care.

#### Out-of-State Health Care Providers

The bill allows regulatory boards to charge a fee to out-of-state health care providers who are required to register with their relevant regulatory board in order to provide telehealth services in Arizona. We assume that each regulatory board would establish a fee sufficient to cover the added operating costs of registration and oversight, but some boards may require additional appropriations to expend the increased revenue. We cannot determine these costs in advance.

#### Regulation of Health Insurers

DIFI oversees the licensure and transaction of health insurance in the state and would be responsible for enforcement actions if insurers fail to meet the requirements in the bill. In addition, the bill also would require DIFI to report the number of telehealth encounters, the types of services provided by telehealth encounters, and an analysis of the cost of services or access to telehealth services by January 1, 2023. At the time of publication, DIFI has not provided an estimated cost of the fiscal impact to enforce the provisions and reporting requirements of the bill.

#### At-Home Acute Care Pilot

Finally, the bill also requires DHS to set up a 3-year pilot program to permit acute care services delivered at home. DHS reported there would be no costs to establish a pilot program under the bill. We cannot independently verify this estimate.

#### **Local Government Impact**

The impact of the bill on local governments' health insurance costs cannot be determined in advance but would have a similar impact to health insurance premiums.

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